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CENTRAL INTELLIGENCE AGENCY

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cannot prevent the assault and are afraid that effective aid from the U. S. is not forthcoming. A [REDACTED] member states that if cooperation with the Communists is the only way to oust the Nationalists, the Taiwanese will accept it knowing that the Communist problem will have to be faced later. It is believed that no active inclination to cooperate with the Communists exists among the Taiwanese at the present time.

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7. A minor [REDACTED] official states that low-ranking military security forces are convinced that 70 to 80 percent of the Taiwanese will cooperate actively with the Communists when Nationalist collapse on the island appears imminent.

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8. According to an [REDACTED] member, the Japanese-motivated Communist Party in Taiwan is small and holds to a middle road between the Chinese Communist Party and the Japanese Communist Party. In spite of the fact that the CCP is making strenuous efforts to extend its control over the local Communist Party, as of October 1949 it was making little headway.

Extent of Disaffection

9. Disaffection in the armed forces on Taiwan is estimated at 20 percent. Morale is the determining factor, and it is low in both military and civil circles in spite of rumors that aid may be forthcoming. It is believed, however, that the Nationalists are capable at the present time of preventing active mutiny. The urge to defect is in direct proportion to the estimate of final victory. Defection is increasingly popular, while the wisdom of last-ditch fighting becomes more and more uncertain.
10. Loyalty of the Nationalist Navy is in doubt for the following reasons:
- Fukien Clique members who defected are actively promoting defection in remaining naval units and are likely to be successful.
 - Taiwanese marines, now chiefly stationed in the Pescadores and numbering about 3,000 plus 400 officers, are disaffected and are awaiting a favorable opportunity to mutiny.
 - Admiral KUEI has demonstrated ineffective leadership and is unpopular.
11. The Chinese Air Force has received preferential treatment and there is consequently little likelihood of important defections at the present time.

Probability of a Coup

12. A coup on Taiwan is believed unlikely. CHEN Cheng is obviously maneuvering to make a revolt impossible. He permits a limited flow of supplies to SUN, and recently he brought LIU An-chi's troops from Hainan with the evident intention of interposing them between SUN's troops in the south and Taipei. SUN has indicated [REDACTED] that he is helpless, as CHEN and the CC Clique hold all the cards at present.

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Effect of the Presence of the Nationalist Capital on Taiwan

13. Establishment of the Nationalist capital and the Executive Yuan upon Taiwan has so far had little appreciable effect upon the island's political stability. The economic burden of the island will probably be seriously increased by interference of mainland government establishments, particularly banks, in local affairs. In general, the presence of the Nationalist capital on Taiwan will be considered by the natives as a further Nationalist encroachment.

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Comment. This office has had no previous information indicating Communist infiltration on the east coast.

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